MINUTES
BUFFALO FISCAL STABILITY AUTHORITY
Thursday May 8, 2008

The following are minutes of the Buffalo Fiscal Stability Authority (BFSA) meeting held on Thursday, May 8, 2008, at the Buffalo & Erie County Public Library's Central Branch.

Directors Present: Arthur, Brown, Collins, Giardino, Johnstone, Kolkmeyer, Mertz and Townsend

Directors Absent: Norwood

Staff Present: Kelly, Link, Miller, Mitchell and Mobley

Also Present: A.V. Buzard

Opening Remarks

The regular meeting of the Buffalo Fiscal Stability Authority (BFSA) was called to order at 1:09PM by Chair Paul J. Kolkmeyer. The meeting was convened by a Notice of Meeting sent to the Board of Directors and announced to the public and press.

Chair Kolkmeyer pointed out the emergency evacuation exits. He requested a roll call from Secretary Arthur. Finding a quorum present, he called the meeting to order.

Chair Kolkmeyer noted that the day's agenda included a preliminary review of the recently released City Budget & Four-Year Plan. He introduced a resolution to approve the meeting minutes from the March 31st and April 8th Board meetings.

Motion by Townsend, second by Mertz.

Chair Kolkmeyer stated that there were a few typographical errors which will need correcting. Staff will address this. Additionally, he introduced an alternative version of the March 31st executive session meeting minutes.

Secretary Arthur called a point-of-order stating that the Chair cannot introduce new language unless "he gives up the Chair" for the item. Chair Kolkmeyer accepted this and asked Vice-Chair Townsend to facilitate the item.

Director Townsend asked Chair Kolkmeyer to summarize his proposed revisions. He clarified that, along with several grammatical/ sentence structure changes, the listing of potential options needed to be reworked. His recommendations were as follows:

As originally written -

Questions asked of the Directors by Chairman Kolkmeyer were:

1. Should we start over?
2. Re-canvas the list
3. Appoint Acting Director
4. Hire head hunter, limiting fee to $7500.00
5. Ask around

Proposed revision -

Chair Kolkmeyer presented four (4) options to the Board for consideration:

1. Start the process all over again and consider hiring a recruiting firm;
2. Interview just one of the remaining candidates;
3. Interview the two remaining candidates; or
4. Appoint one of the remaining candidates.

Motion by Kolkmeyer to accept the new language, second by Mertz.

Secretary Arthur stated that he would support the revised language with the words, "limiting the fee to $7,500" retained in point #1. Chair Kolkmeyer consented.

Chair Kolkmeyer also proposed amending sentence three of paragraph one as follows:

Original –

"There were twenty-five responses to the postings, twenty-one (21) male and four (4) female."

Proposed revision –

"There were twenty-five responses to the postings."

Director Arthur stated that the language should be left in the document to show that BFSA is committed to finding the most qualified candidates for employment regardless of race, creed, color, gender or sexual orientation.

Chair Kolkmeyer expressed his point-of-view that listing this suggests the opposite connotation. He deferred to the full Board for a decision.

Director Johnstone asked Harris Beach, PLLC, outside counsel A.V. Buzard, Esq., for guidance on the law pertaining to this issue, specifically whether the laws pertaining to public sector hiring were the same as private sector hiring. Mr. Buzard stated that the law doesn't offer much guidance specific to the question at hand and suggested that it would be better for the Board to decide this as a matter of policy.

Director Arthur explained that the current motion on the table was to leave the language in the document regarding gender break-down. The "listing revisions" had already been accepted. Motion by Arthur, second by Kolkmeyer. Vote 7-1 to retain the gender breakdown language [Kolkmeyer dissent].

Director Townsend relinquished the role of meeting facilitator back to Chair Kolkmeyer. He asked for a motion to approve the resolution to approve the minutes as amended. Motion by Arthur, second by Townsend, vote 8-0 to take effect immediately.

RESOLUTION NO. 08-22
APPROVING MINUTES AND RESOLUTIONS FROM MARCH 31, 2008 & APRIL 11, 2008

BE IT RESOLVED that the Buffalo Fiscal Stability Authority approves the minutes of its meetings of March 31, 2008, & April 11, 2008, and ratifies and affirms resolutions numbered 08-10 through 08-20 that were approved March 31, 2008, and resolution numbered 08-21, approved February 8, 2008. This resolution shall take effect immediately.

OPEB Liability

Chair Kolkmeyer stated that BFSA's independent auditor, Mr. John P. Schiavone, CPA, of Lumsden & McCormick, LLC, was on hand to give a brief presentation regarding the new accounting requirements regarding the reporting of Other Post Employment Liabilities [OPEB] and its impact on the City and other covered organizations' financial statements.

Mr. Schiavone gave a presentation titled, "Accounting for GASB 45", which had originally been given by Jeffrey Madej from the NYS Office of the State Comptroller at the NYSGFOA 2007 Annual Conference.

Director Mertz asked whether the GASB 45 reporting requirements were binding. Mr. Schiavone stated that any municipality could legally decide not to report its OPEB liability. The independently audited financial statement would disclose this and could have a negative effect on the entity's credit rating.

Director Mertz asked a question relative to funding, not just reporting OPEB liabilities. Mr. Schiavone stated that the State of Delaware is currently ahead of the curve and has a trust established for this purpose. The New York State Office of the State Comptroller has been developing a bill to present to the Legislature for this purpose as well but no official action has been taken.

Director Townsend stated that New York City has its pension system, separate from the State's. Mayor Bloomberg has established some OPEB reserves to meet the multi-million dollar funding liability, as the rating agencies increasingly look to see how cities are addressing these liabilities, it will become more and more important.

Director Mertz stated that the difference between OPEB and pension plans, that is defined benefit plans is that under defined benefit plans one knows what will have to be paid upon retirement while OPEB liabilities will change up or down as contracts with various employee groups are modified.

Chair Kolkmeyer thanked Mr. Schiavone for his presentation. He stated that the next meeting will include a presentation by PFM to discuss the potential impact on credit ratings of reporting OPEB liabilities.

City Issues

Capital Borrowing

Chair Kolkmeyer stated that BFSA had received a request from the City Comptroller to issue bonds to cover the costs of capital projects. It is the first time since 2004 that the City will be able to go to the public market without BFSA's assistance. He asked Executive Director Bertha H. Mitchell to provide a summary of the borrowing for the Board.

Mrs. Mitchell stated that the City Comptroller is asking BFSA to approve a borrowing ≥ $33 million to cover costs for capital projects for the City, the School District and related issuance costs.$22 million are City projects and $9 million for School District projects. Repayment of the borrowing will come from collected property tax revenues. Documentation for the borrowing is in process and approval will be conditional on BFSA's approval of final terms, documentation and pricing.

Motion to approve by Arthur, second by Johnstone.

County Executive Collins expressed his satisfaction that BFSA will move to allow the City to borrow on its own behalf, even though a modicum of savings could be realized. Further, this Board contrasts starkly to the Erie County Fiscal Stability Authority [ECFSA] who recently rejected a similar request by the Erie County Comptroller to allow that entity to borrow on its own behalf.

Chair Kolkmeyer noted that BFSA had approved a cash-flow borrowing in December of 2007 as well, although the City later determined that the issuance was not needed. Regarding the potential for cost savings with the Authority doing the borrowing on the City's behalf, he asked Mrs. Mitchell to provide detail.

Mrs. Mitchell stated for the record that the City could save an estimated $400,000 - $500,000 over the life of the repayment if BFSA handled the borrowing.

Director Mertz asked the Mayor if he was comfortable with deferring these potential savings. He responded in the affirmative.

Chair Kolkmeyer observed the list of capital projects and asked the Mayor to espouse on the determination process. He replied that the Citizen's Capital Advisory Budget Committee initially provides the Administration with suggestions. The bonding cap is set by the City Comptroller. The Capital Improvement Plan is formally presented by the City Administration to the Common Council for review and approval.

Vote 8-0 to approve.

RESOLUTION NO. 08-23

APPROVING BOND ISSUANCE BY THE CITY OF BUFFALO NOT TO EXCEED $33 MILLION TO COVER CAPITAL PROJECTS

WHEREAS, Section 3858 of Chapter 122 of the Laws of 2003 ("Chapter 122"), as amended, requires that the Buffalo Fiscal Stability Authority ("BFSA" or the "Authority") "shall, with respect to any proposed borrowing by or on behalf of the city or any covered organization on or after July first, two thousand three, review the terms of and comment, within thirty days after notification by the city or covered organization of a proposed borrowing, on the prudence of each proposed issuance of bonds or notes to be issued by the city or covered organization…"; and

WHEREAS, Chapter 122, as amended, further provides that "…no such borrowing shall be made unless first reviewed, commented upon and approved by the Authority"; and

WHEREAS, Chapter 122, as amended, permits BFSA to review and approve or disapprove contracts or other obligations of the City or any covered organization; and

WHEREAS, the City Comptroller has submitted to BFSA correspondence dated May 1, 2008, requesting approval to borrow in the public markets up to $33 million for City of Buffalo and Buffalo School District projects; and

WHEREAS, the City Comptroller's correspondence indicates a plan to borrow for capital projects on a level debt payment basis, with a final maturity of 2023 which reflects the weighted average of the projects' period of probable usefulness of 15.36 years; and

WHEREAS, the City Comptroller identifies the source of repayment as being property taxes collected by the City of Buffalo and deposited in advance with the Trustee to cover upcoming maturities; and

WHEREAS, debt service costs have been included in the 2009-2011 budgets and four-year plans; and

WHEREAS, the City Comptroller has advised BFSA that a request for proposals for underwriter services has been sent out and that eight responses have been received and are in the process of being evaluated for contract award; and

NOW THEREFORE BE IT RESOLVED, that the Authority approves the borrowing as proposed by the City Comptroller to address the City and School District of Buffalo's capital needs, provided that (i) the aggregate amount of the borrowing shall not exceed $33 million for capital purposes, and (ii) the Chair, the Vice Chair or the Executive Director of the Buffalo Fiscal Stability Authority shall approve the final terms and pricing of the borrowing in writing; and

RESOLVED, that the Authority authorizes the City to enter into necessary and appropriate contracts in connection with this borrowing; and further

RESOLVED, that the Chair, the Vice Chair or the Executive Director of the Buffalo Fiscal Stability Authority are hereby authorized and directed to approve, execute and deliver any agreements, certificates, documents, papers or other written instrument, to make any changes, modifications or amendments as he or she deems necessary, to do all other things and to take all other actions necessary and appropriate in their judgment, to consummate the transaction contemplated by this Resolution.

This Resolution shall take effect immediately.

Mayor's Proposed 2009 Budget & Four-Year Plan
At the behest of Chair Kolkmeyer, Mrs. Mitchell offered a summary of the Mayor's Proposed 2009 Budget & Four-Year Plan. She utilized a PowerPoint presentation to graphically depict the summary.

She noted that, as the material has just been received, the day's review will be cursory; a full review will be prepared prior to the next meeting to give all Directors the time needed to analyze the material.

The City's financial plan as presented is balanced and includes a surplus of $6.1 million in year 3. The 2008-2009 budget of $435 million (which includes transfers to the School District and to Debt Service) represents a 4% increase over last year's total budget of $418.3 million. However, when compared with current forecasts for FY 07-08 which incorporate modifications approved over the last 12 months, the budget is pretty close to the anticipated spending for this current year. The major difference between the adopted budget and the forecast is the AIM funding, which was not budgeted, which was used for the police and fire increases and for certain development projects.

The net of transfers in the City's budget totals $333.9 million and includes a reduction on the tax levy equivalent to $2.7 million

The City's FY 2008-09 proposed revenues include 39% of City generated funds (including property tax revenue), 16% from Erie County (includes sales tax) and 42% from State Aid (3% other sources).

The City's FY 2008-09 proposed expenditures includes 23% from transfers, 24% for fringes, 4% utilities, 5% Public Works, 13% Fire, 18% Police and 13% other.

The City's expenses are 81% employee related, increasing $17.1 million or 6.8% from the prior year's budget. Police and Fire personal services represent the largest increases, both related to additional staffing and OT increases.

Staffing is increasing by 83 between budgets, 73 of which are in police and fire.

State Aid has steadily increased from $102.77 million in FY 2004 to $155.10 million in the upcoming FY. Budgeted spending has increased over this time from $382.9 million to $435 million in FY 2009. The budgeted workforce is expected to grow for the first time in several years, expected to be about 83 positions more than the prior year with 73 of these in Fire and Police.

The majority of the increase is for salary. Police overtime was projected to be $5.08 million in the current year. It is now projected to cost $9.22 million by the end of the current FY. The budgeted overtime for the next FY is $7.13 million.

Fire overtime follows a similar trend. The year-to-date cost is higher than the projected full year expense. The yearend projection is $10.57 million. The budgeted FY09 expenditure is $7.9 million. The City Administration has taken action to “rein in” overtime costs but it will take a lot more work.

The City’s proposed Budget & Four-Year Plan contains several risk factors including:

- → Rising staff levels and benefit costs;
- → High dependence on State revenues in an uncertain economic climate;
- → The need to identify new funding sources for any new collective bargaining agreements;
- → Budgeting overtime costs in the coming year below the current year’s levels; and
- → OPEB liabilities which will impact the financial picture in the out-years of the plan.

Chair Kolkmeyer asked if the current budget had an expected $6 million surplus. Mrs. Mitchell stated that both years one & two are balanced; year three has a projected $6 million surplus. He stated that the two major risks to the budget is the heavy reliance on State Aid in the current economic environment and expected drop in overtime expense in the Fire and Police Departments. He asked Mayor Brown what specific plans are prepared to stymie the escalating costs of overtime.

Mayor Brown stated that plans are in place to decrease the rate of increase in overtime spending. The hiring of addition police and firefighter personnel should reduce the reliance on greater overtime spending. Additionally, cost-containment controls are being but in place. No unnecessary overtime will be approved. The Department of Administration, Finance, Policy and Urban Affairs will closely monitor overtime to help curb its growth.

Director Mertz noted that, with the adding of new personnel, the City can expect greater benefits costs in the interim and higher OPEB liabilities later on. The City has mandates for a certain level of workforce and is between “a rock and a hard place” between adding new personnel and taking on higher OPEB costs or relying on exponentially higher overtime costs. Decisions to add new personnel today have an impact on future budgets going forward for several decades.

Mayor Brown acknowledged that it is indeed a great challenge. The Administration is seeking structural changes in contracts to address this dilemma. New collective bargaining agreements are expected to have a new tier which grants management greater controls on cost containment and reduces OPEB growth.

Director Mertz noted that the current contracts contain provisions to pay employees for many non-worked days. Mayor Brown agreed that this is an important issue and has addressed it in previously proposed, yet rejected contracts. New contracts must compensate public employees adequately and be affordable to the taxpayers. Injured-on-duty (IOD) issues are being addressed; the number of IOD employees needs to be reduced. The State’s process allows for growth in this area beyond the control of the City.

Director Townsend noted that, statewide there are a number of organizations who have been pressuring the State Legislature to reform the pension system to give governments greater controls over costs. She asked the Mayor if his Administration has joined them in this effort.

Mayor Brown replied that they had not and stated that it is their belief that there is not the political will in Albany at this time for change. The Administration has been working on other areas to give the City greater ability to raise revenues locally. While the pension issue is valid, there are other areas of "lower hanging fruit" that could be tapped to raise revenues.

Director Giardino stated that the City struggles with overtime costs every year. He requested that the City Administration share with BFSA detail on the initiatives taken to manage it. Mayor Brown stated that the material will be provided to staff. Police overtime is more difficult to manage than other because of preexisting collective bargaining agreements.

Director Townsend commented that the issue of overtime affects budgets in the short-term as well as in the long-run. Pension costs are based on average salaries in the final years of employment. High overtime payments paid to individuals just prior to retirement inflates this amount. Mayor Brown agreed with this and stated that this issue is another example of a constraint on management. Contractually, overtime needs to be offered to those individuals with the most seniority. It is not merit based. It is an issue that will hopefully be addressed in the new collective bargaining agreements.

Chair Kolkmeyer requested a breakdown of staff and salaries. Mayor Brown stated that a breakdown of staff has been submitted but that the salary data will be given as well. The budget as proposed grows by 3.99%, less than the estimated 4.45% rate of inflation. The budget continues investments in economic development; $4.5 billion in economic development projects have been announced. Investments in public safety continue to raise the quality of life for residents. Finally, the tax rate has been reduced by 4.8% to offer relief. The City's constitutional taxing margin has been increased. The Administration is optimistic that the City's credit rating will be upgraded again based on the strength of the budget.

School District

Mayor's Proposed Budget & Four-Year Plan

Chair Kolkmeyer called an end to discussion of the City's budget. He asked Mrs. Mitchell to provide an overview of the Buffalo Public School's Financial Plan.

Continuing the PowerPoint presentation, Mrs. Mitchell stated that the School District budget and financial plan show the general fund growing by 34% over the period of the plan equivalent to $220 million. The increase for 2008-2009 is 7% over the modified budget or $46 million. Foundation Aid, the largest piece of State Aid grows by $146.5 during the period of the plan ($23.4 million in the budget year). On an all funds basis, which includes all grants, the plan grows from a forecast of $784 million in the current year to $1 billion in 2011-2012, a 28% increase.

Despite this massive increase in revenues, the District is showing deficits in years 2, 3 and 4 totaling $40 million. Proposed revenues breakdown as follows:

- → 51% Foundation Aid;
- → 20% Other State Aid;
- → 12% Grants;

- → 8% Property Tax;
- → 4% Sales Tax;
- → 3% Food Service; and
- → 2% Other General Fund.

On an all funds basis the budget grows to over $1 billion

On the spending side, the budget grows $63 million, totaling $847.9 million. Expenditures breakdown as follows:

- → 49% General Fund Workforce;
- → 26% Other General Fund;
- → 12% Grants;
- → 10% Debt Service; and
- → 3% Food Service.

State Aid has increased since FY04 and is projected to continue to do so as follows:

- → Base [millions]
  - o FY04 - $405.41
- → Projected [millions]
  - o FY 09 - $614.35
  - o FY 10 - $654.64
  - o FY 11 - $702.06
  - o FY 12 - $745

Schools Budgeted Spending [millions] increases by year as follows:

- → FY 04 – $631.81
- → FY 09 - $847.9

Major pieces of expenditure growth comes from the change to multiple carrier health insurance and from increasing charter school.pass through payments.

Enrollment continues to decline as follows:

- → Base
  - o FY04 – 41,101
- → Projected
  - o FY 09 – 34,990
  - o FY 10 – 34,437
  - o FY 11 – 33,765
  - o FY 12 – 33,274

The current year's budget is balanced; baseline gaps in Years 2, 3 and 4 are significant. The gap closing actions eliminate 50 positions in each year of the plan at $50 thousand per employee, a cost avoidance of $2.5 million per year. Additionally, two schools will need to be closed as a gap closing measure, one in FY 2010 and one in FY 2011.

The Buffalo Public School's Budget and Four-Year Plan contains risks as follows:

→ New York State's economic climate;
→ Potential negative consequences resulting from the loss of "step increase" litigation;
→ New funding sources will need to be identified for any collective bargaining agreement;
→ Increased financial pressure due to enrollment loses within the District and increases in charter school enrollment;
→ OPEB liabilities which will impact the financial picture in the out years of the plan.

Chair Kolkmeyer invited School District Chief Financial Officer Gary Crosby to address the Board and provide insight on any questions posed.

Mayor Brown noted that an internal study conducted by the Department of Administration, Finance, Policy and Urban Affairs found that State Aid had increased a total of 39 times since 1960. While it is prudent to budget conservatively, State Aid is generally not reduced, even in periods of financial difficulty.

Chair Kolkmeyer noted that the number of teacher hires was increasing while the number of enrolled students continued to decline. He asked Mr. Crosby to address the issue.

Mr. Crosby explained that the growth of hires was the result of a couple of factors including:
→ Adding and maintaining programs to enhance the students' academic experience;
→ Increasing the teacher-to-pupil ratio; and
→ Earlier in the decade the District was laying off teachers to balance earlier budgets. Positions are slowly being restored to increase academic achievement.

Director Arthur asked how the arts and cultural programs of early age education was being addressed. He requested a one page summary of these efforts. Mr. Crosby stated that they were a priority and will comply with a summary.

Chair Kolkmeyer called an end to the discussion and announced that the next Budget and Four-Year Financial Plan review was for the Buffalo Municipal Housing Authority (BMHA). He asked Mrs. Mitchell to summary the material for the Board.

Buffalo Municipal Housing Authority
Mayor's Proposed Budget & Four-Year Financial Plan

Continuing with the PowerPoint presentation, Mrs. Mitchell she stated that the BMHA is proposing a balanced budget and financial plan which generates sufficient surplus to cover debt payments and leave some small cushion for unexpected events. Revenues are budgeted lower by $500 thousand than the 2007-2008 budget at $34.2 million. Some sources of revenue are changed. HUD operating subsidy which is the largest revenue source is budgeted at $18.1 million a decrease by $4.3 million from the last fiscal year and $3.6 million from the current year revised. This is a result of anticipated cuts by the federal government (not yet announced), and a reduction in the energy costs subsidy which went from an 11.2% inflation factor in the current year to 3.8% for the budget year and forward.

Due to the change to the asset-based management model for HUD operations, all the administrative functions for the capital fund have been transferred to the Central Office and revenues which support those grant operations have also been transferred. Rental income, 26.6% of revenues for the budget year are expected to increase due to better tenant retention rates and faster turnaround in vacancy preps, as well as lower vacancy rates.

The key components of BMHA expenditures are maintenance, utilities and administrative expenses. Administrative expenditures are up $751 thousand reflecting the changing nature of the Central Office which provides services to the various asset groups and now also includes all the staff to support capital grant projects.

Utilities are budgeted lower than prior years as the impact of the three energy conservation projects which are about completed is being felt. Maintenance expenditures remain basically flat to the last two years. Staffing is budgeted up by 11 in the 2008-2009 year and remains at that level throughout the plan.

There are two major developments in the works. AD Price Courts Phase I is under way and financing is all in place. Both BFSA and HUD have approved this project in 2007. The demolition and redevelopment of Kensington Heights is still in the negotiation stage and a $5 million NYS grant through DASNY will be available for the demolition once the contract has been approved.

Risks are as follows:

- Federal spending cuts to housing subsidies;
- Compliance audit for asset based management is still not done;
- Aggressive budgeting of utility expenses could cause problems in the short term if energy costs spike; and
- OPEB calculations required for the end of the budget year.

Overall, the budget is balanced with relatively reasonable assumptions.

Marine Drive Apartments 2008-2009 Budget

Mrs. Mitchell continued with a review of the 2008-2009 budget for Marine Drive, which is not included in the BMHA numbers. Marine Drive's year end is March 31.

Marine Drive is budgeting a surplus of $197,000 against a preliminary loss of $485,000 in the year that just ended. These results do not include any payments of the debt to the City which currently stands at approximately $3 million, of which $1.8 million are unpaid gas bills and $1.1 million are unpaid water bills, including interest and penalties.

Revenues for FY09 are budgeted at $3.4 million and increase of $400,000 over the prior year. New management has been very successful in collecting back rents, evicting non-payers and moving in new tenants. Vacancies currently stand at 65 verses 90 when management took over. The occupancy rate is now 90%.

Expenditures are expected to decrease by $300,000. Utilities comprise 43.7% of the budget against 54.1% for the year just ended. Water and sewer charges were $987,000 in FY 2008 and are budgeted at $200,000 for the new year.

Marine Drive had two major water leaks in the property which were not sealed until Jan/Feb 08. Water bills since that time are in line with budget. Despite increases in other staff related costs, management has also reduced some others through various means. Groundskeeping costs have been reduced significantly by contracting out the work.

Utility costs are high due to the old, inefficient plant. An energy audit is under way which will recommend actions to reduce costs.

The major concerns are as follows:

- → Due to the City of Buffalo is equal to one year revenues and the complex does not generate sufficient funds to pay it down.
- → Other than reductions in utility expenses from energy investments, the only avenue for improved financial situation over the long term appears to be through rent increases of some significance, which given the nature of the complex may be hard to implement.

Director Mertz asked for clarification on the variance between water and sewer costs in FY 08 and FY 08 (decline from $987,000 [actual] to FY 09 $200,000 [budgeted]). Mrs. Mitchell stated that the two major leaks had produced significant loss and were explained to account for the variance.

Chair Kolkmeyer called an end to the discussion and announced that the next Budget and Four-Year Financial Plan review was for the Buffalo Urban Renewal Agency (BURA). He asked Principal Analyst Mike Kelly to summarize the material for the Board.

<u>Buffalo Urban Renewal Agency</u>
Mayor's Proposed Budget & Four-Year Financial Plan

Principal Analyst Kelly remarked that the Buffalo Urban Renewal Agency administers the City's HUD formula grant programs. The major grant programs are the Community Development Block Grant Program, known as CDBG, HOME Program, the Emergency Shelter and Grant Program and the Housing Opportunities for Persons With AIDS. Additionally, BURA can receive smaller pots of funding from various sources including the State and City.

For the 2008/09 fiscal year BURA's funding or revenue totals $24.2 million,
a decrease of approximately $2.5 million (OR -9.4%). CDBG again makes up the largest portion of BURA's revenue, followed by the HOME program.

For the upcoming fiscal year, BURA will spend 83% of its grant on program expenditures. 17% of BURA's spending will go towards Administration and Planning.

Analyst Kelly went on and pointed to the next slide on BURA's spending, which he noted has generally declined on a yearly basis in recent years. This is a result of HUD's overall appropriation declining year over year, and the addition of more communities that participate around the country – this in essence slices the pie a little thinner each year.

Kelly next spoke about BURA current prior years deficit. He noted that, this deficit resulted from past practices where BURA expending more grant money than was allocated, and while many of the costs were valid – the practice of spending money you do not have is not an acceptable practice. Kelly further pointed out that the BURA deficit has steadily been reduced through BURA's commitment to paying off this obligation.

Lastly, Principal Analyst Kelly noted several risks with BURA's budget and four-year plan, including:

- The continuing decline of Federal funding;
- The previously mentioned deficit on BURA's books; and
- The financial pressure that new collective bargaining agreements could put on BURA's limited resources.

Kelly added one final note, saying that BURA will enter the 2008-09 financial year in good overall financial shape.

Director Arthur stated his desire to augment the review process to allow sufficient time to review the budget & Four-Year plans. The budget as submitted to BFSA is not final as the Common Council has yet to propose revisions.

Chair Kolkmeyer replied that it may be necessary to have an additional meeting prior to the June 5th meeting for further review.

Mrs. Mitchell agreed that the process is unfair but is mandated by the BFSA Act. Staff will have a detailed review submitted to the Directors a full week in advance to the June 5th meeting. Director Arthur suggested that staff make suggestions on amending the Act itself to improve the process.

Director Mertz replied to an earlier comments made by Mayor Brown regarding benchmarks for cities performance being taxes, crime rate and economic development. Mr Mertz referred to the presentation recently given by Dr. Edward Glaeser which focused on poverty and average household income. Is the poverty index an issue to the Administration? Mayor Brown replied that it is a high priority; funds that have been set aside for economic development give the City some flexibility to address poverty issues.. The recently hired Second Deputy Mayor has the charge of drafting plans to have economic development to address poverty issues and package best practices comprehensively to assist the City in efforts to combat poverty.

BFSA Issues

Memorandum of Understanding (MOU) re: timely submission of materials

Withdrawn. Staff will review and resubmit

Appointment of Internal Controls Officer
Chair Kolkmeyer introduced a resolution to appoint a new Internal Controls Officer. Mrs. Mitchell explained that Ms. Greta Mobley had been promoted to the position of Comptroller and now had duties which potentially could conflict with her role as Internal Controls Officer. The recommendation is to appoint Mr. Kelly to the position.

Motion by Townsend, second by Johnstone Vote 6-0 to take effect immediately.

RESOLUTION NO. 08-24

APPOINTMENT OF INTERNAL CONTROLS OFFICER

WHEREAS, Chapter 122 of the Laws of 2003, as amended, which created the Buffalo Fiscal Stability Authority ("BFSA") provides that the directors shall appoint officers and agents as it may require; and

WHEREAS, the BFSA as a State Authority is required by the Budget Policy and Reporting Manual, B-350- Governmental Internal Control and Internal Audit Requirements to designate an internal controls officer, who shall report to the Executive Director to implement and review the internal control responsibilities established pursuant to B-350; and

WHEREAS, these responsibilities include the coordination of internal control activities within the BFSA, and to ensure that BFSA's internal controls program meets the responsibilities established by B-350; and

WHEREAS, Margreta D. Mobley, then Principal Analyst was appointed BFSA's Internal Control Officer by Resolution 07-42 on September 24, 2007, and

WHEREAS, as a result of recent staff turnover, changes in functions among staff were required and Ms. Mobley is now functioning as Comptroller for the Authority, a function which is in a conflict with her duties as Internal Controls Officer, and

WHEREAS, it is recommended that Michael P. Kelly, Principal Analyst, be appointed BFSA's Internal Control Officer,

NOW THEREFORE BE IT RESOLVED, that Michael P. Kelly, is hereby designated as the Internal Controls Officer for the Buffalo Fiscal Stability Authority until such time as his resignation, removal or death.

This Resolution shall take effect immediately.

Approved May 8th, 2008

Closing Remarks

Chair Kolkmeyer requested a motion to adjourn. Motion to adjourn by Arthur, seconded unanimously. The meeting adjourned at 3:05 PM.